

Attachment 6

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

DECLARATION OF MIKE SKUDIN

1. My name is Mike Skudin. I am currently Vice President of Network Planning and Capital Management for Windstream. My responsibilities include the development of the 1- to 2-year plan and budget for the Outside Plant and Transport disciplines within the network, as well as the day-to-day management of the capital budget.

2. I received a bachelor's degree in Electrical Engineering Technology from Georgia Southern College (now Georgia Southern University) in 1986. During the past 26 years I have held various engineering and engineering/planning management positions with GTE, Alltel, and now Windstream.

3. Over the past 10 years, Windstream has undertaken aggressive efforts to deploy broadband service to previously unserved areas, leaving very few locations that can be served with \$775 or less in government support. Windstream has invested more than \$778 million over the past six years to extend broadband to approximately 92 percent of its voice customer base, up from 76 percent in 2006. As a result of broadband stimulus program funds received by Windstream under the American Recovery and Reinvestment Act of 2009 ("ARRA"), Windstream expects to spend at least an additional \$241.7 million (at least \$60.4 million of its

own money to complement \$181.3 million in funding from the Rural Utilities Service) to deploy additional broadband facilities in high-cost areas in 13 states and boost company wide broadband availability to more than 93 percent.

4. Naturally, Windstream's prior deployments have focused principally on less-expensive unserved areas. Windstream has followed a disciplined approach to deciding on which unserved locations to make capital expenditures to deploy broadband. That process includes developing detailed estimates of capital expenditures needed in specific facility routes and carrier service areas and a business case analysis to determine whether the potential revenue opportunity from deploying to the particular service areas will generate an acceptable internal rate of return. Obviously the decision whether to deploy broadband is most heavily influenced by the average cost to deploy broadband per location on an individual route. This cost per location is highly dependent on the number of locations that a given facility route could serve and the distance of the fiber build required to enable broadband in the service area. Areas that have a small number of potential customers and require long fiber builds normally do not meet the business case criteria for broadband deployment.

5. As a result of its extensive prior deployments, Windstream's most significant broadband deployment challenges reside in the second mile. More than 9 out of every 10 unserved Windstream customers are unserved solely due to the cost of deploying second-mile facilities.

6. Windstream now faces per-location deployment costs that substantially exceed those that it would have faced had it not already invested so aggressively in broadband already.

7. In the fall of 2009 (in preparation of Windstream's filing for ARRA funding), my group undertook a comprehensive and extensive project to develop cost estimates for all unserved locations in Windstream's service area footprint. More than 11,500 individual carrier

serving areas were reviewed by a team that consisted of 35 local planning engineers with knowledge of the network in their assigned areas. Additionally Windstream spent \$2 million on outside contractors to assist in the costing project. The results of this extensive costing project culminated in Windstream applying for \$238 million of stimulus funding in 16 states in March 2010, and Windstream was awarded \$181.3 million of stimulus funding for 13 states through the Rural Utilities Service Broadband Initiatives Program.

8. In the fall of 2011, in anticipation of the potential for CAF Phase I funding, my group updated this costing data. The team employed the same method of cost estimating that is used in the normal capital expenditure job order approval process. All data were reviewed and updated for current material and labor cost and the latest technology deployment. This comprehensive, updated data set of cost information was completed in February 2012. After the National Broadband Map data became available in April 2012, the data set was screened to disqualify all carrier serving areas in locations that are shown to have fixed broadband coverage and per Commission rules would not qualify for CAF Phase I funding. The local planning engineers also eliminated any areas in which they had personal knowledge of broadband competition regardless of whether the map indicated competition or not. Finally, all locations for which Windstream has plans to deploy broadband either through future ARRA funding or normal budget planning were also disqualified from CAF Phase I funding potential.

9. The CAF Phase I potential data set was then rank-ordered by individual carrier service area from the lowest cost per unserved household to the highest cost per unserved household. The company assumed its own capital expenditure in addition to the potential \$775 CAF Phase I funding per location to determine how many locations could be economically served using CAF Phase I incremental support under existing rules.

10. Based on the analysis just described, Windstream has determined that it cannot service more than 843 new locations under the \$775 funding threshold. This means that, absent a waiver, the company could only accept \$653,325 of its allocated funding. The areas, by wire center and census block, in which Windstream intends to deploy broadband to meet its obligation, assuming application of the current rules, are set out in Attachment 1.

11. Windstream also has undertaken an analysis of how much funding it could elect to utilize if its waiver request is granted. As described in the waiver request, under this approach, Windstream would first use \$653,325 under the \$775-per-location requirement set out in the rules. Windstream would then use the entire \$60.4 million, in conjunction with \$12,240,976 of its own capital, to deploy second-mile fiber-optic facilities that will enable service at speeds of at least 4 Mbps downstream and 768 Kbps upstream to currently unserved locations.

12. Windstream used the same data set of cost per location ranked from lowest to highest to determine how many miles of fiber would be funded if the company were to accept the full \$60.4 million and contribute \$12.2 million of private investment. Using the methodology just described, Windstream determined that its allocated CAF Phase I funding could be used to deploy 1,688 miles of fiber and bring service to nearly 17,000 currently unserved locations, assuming a company contribution of \$800 per access line served through the deployment. Based on the U.S. Census Bureau average household size of 2.59 people, grant of the waiver would thus lead directly to new broadband service for nearly 44,000 Americans in the hardest-to-reach areas.

I declare that the foregoing is true to the best of my knowledge, information and belief.

/s/ _____
Mike Skudin

July 24, 2012